

PEOPLE AWAY

*The impact of NYC PEG plans on
New York City, its people and its communities*

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Overview

Twice a year, in order to close gaps in the City's budget, City agencies face the task of cutting spending; in City-speak, these budget reductions are known as Programs to Eliminate the Gap (PEGs). Over the last several decades in NYC, Peg'd has become the most unlikely of verbs, as in "this program just got Peg'd," meaning the City budget proposal includes a program that will be restructured or eliminated for cost savings. These PEGs have too often turned into opportunities to reduce, and even eliminate, after-school supervision for children, literacy and ESOL classes for hard working low-income parents, and wellness programs for senior citizens. The mid-year FY2013 5.4% PEG to Administration for Children's Services (ACS), Department of Youth and Community Development (DYCD), the Department for the Aging (DFTA), and the Department of Homeless Services (DHS) was the 12th round of reductions by the Bloomberg administration since calendar year 2008. City agencies that support New York's most vulnerable residents have run out of places to cut due in part to past City PEGs, but also because of the equally damaging State and Federal budget reductions.

Community based providers who contract with the City are being robbed of their right to plan for the upcoming year.

The seemingly unending series of PEGs place significant burdens on nonprofit community service providers who rely on City contracts. These providers are historic allies and partners in keeping city-funded services stable. Yet, for City agencies facing PEGs, few options remain but to significantly reduce core services and renege on contract commitments with community based providers, further damaging the already weakened social safety net.

The New Normal?

While it seems like PEGs are a permanent addition to the budget process, **it is neither normal nor historical**. Prior to the economic crisis of 2008, the budget process was fairly straightforward and City agencies had predictable and stable sources of funding to meet agency goals (See Figure 1.0).

Figure 1.0 - An Overview of the NYC Budget Process Prior to the Economic Downturn

January	January-May	April-May	May-June	May-June	June 30	July 1-June 30
Mayor releases Preliminary Budget Proposal for upcoming FY	City Council holds oversight hearings and invites public commentary	Mayor releases Executive Budget Proposal	City Council and Mayor negotiate budget	City Council holds oversight hearings on Executive Budget	Budget adopted and/or signed before July 1 (start of new FY)	Agencies operate based on Adopted budget



Since 2008, however, Commissioners of City agencies that deliver services by contracting with community based organizations have been forced to cut budgets by a set percentage in the middle of the fiscal year; and at the same time, reduce spending for the upcoming fiscal year (See Figure 1.1).

Figure 1.1 -New Steps in the Budget Process since 2008



The effect of the 'new normal' on community based organizations which rely on contracts with the PEG'd City agencies has been devastating. From a planning perspective, organizations are left without adequate time to set goals for the coming year, enroll children, and open wait lists. As a result of four years of this destabilizing and erosive pattern, community based organizations now operate with high degrees of uncertainty and face unstable program budgets from quarter to quarter. Agencies like DFTA, DYCD, and ACS have been cut so many times, they are left with no other option but to target longstanding, core services for reduction.

Despite signs that the City seems to be recovering from the economic crisis, services and supports for the most vulnerable New Yorkers continue to be undermined by seemingly endless budget reductions.

The Changing Role of the City Council

The mayoral imposed PEGs, which have ranged from 2%-8%¹ over the years, are also problematic for the City Council, particularly those that reduce budgets midway through the year. The City Council has supported community based service providers, frequently restoring cuts (with one-year discretionary funding) made by the administration in the PEG process. But the Council's power to make such restorations in the mid-year is limited. The City Council can only vote to accept or reject the Mayor's November Financial Plan which contains the mid-year PEGs. Moreover, the Mayor can enact a PEG plan unilaterally if the Council does not vote on the matter and also has the power to impound funds if the Council rejects a PEG plan. This means that the Mayor can eliminate programs which the City Council previously restored in the adopted budget. When City Council members object to a specific cut in a mid-year PEG program they can organize constituents to pressure the Mayor, but the Council's legislative power is limited. The ability of New Yorkers to mobilize in defense of the services that support their communities is weakened.

The new normal is not normal. The new budget process undermines the Council's role in moving the City forward and undermines community involvement in the budget making process.

¹ See APPENDIX A

Despite limited options and authority, the Council has made inroads in influencing the City's PEG plans, without rejecting them entirely. In 2011, the Council managed to prevent devastating cuts to the Office of the Medical

Council discretionary funding was never intended to be used to maintain the City's social safety net.

Examiner which would have negatively impacted victims of sexual assault and rape. In the fall of 2010, the Mayor presented a PEG plan that proposed to dramatically reduce the capacity of DFTA to serve homebound seniors in the case management program. By working with supportive City Council members, seniors and advocates demonstrated the importance of this critical program to frail older adults. This advocacy temporarily averted cuts to the

program, and in turn, protected the health and well-being of many homebound elders. A similar mid-year budget reduction was averted in the Runaway Homeless Youth Program that same year.

The City Council has restored funding to PEG'd services with one-year discretionary funding in the Adopted Budget for several years. But prior to the new era of PEGs, this discretionary pot of funding was used to financially support innovative initiatives and meet emerging community needs; *it was never intended to be used to fund core human services that comprise the social safety net.* This phenomenon has resulted in the loss of programs and services created by the Council based on emerging community needs (e.g. Healthy Aging Initiative) and reductions in other Council initiatives like the Children Under Five Mental Health Initiative.

Community based organizations deeply appreciate the leadership of the City Council in restoring funds for key services. However, the City Charter prevents the City Council from creating multi-year budgets resulting in a model for program planning that is unstable and challenging. Budget decisions about whether to restore core programs like home delivered meals, child care, after-school and adult literacy classes are often not made until the day prior to the program year start date of July 1, meaning that organizations who operate programs PEG'd by the administration are never certain of their contract fate until the final hours of budget negotiations, sometimes only hours before the start of the new fiscal year. One of the results of this process is an employment roller coaster for staff who are laid off and rehired week by week.

Some of the restorations the Council has made to PEG'd core services include child care slots and classrooms, senior centers and home delivered meals, summer youth employment, adult literacy and ESOL classes, mental health services, and after-school program seats. But for every service saved, there are countless other programs and services that have been reduced since 2008.

Child Care

New York City's system of subsidized child care, funded through ACS, provides care and education for many of the youngest New Yorkers. Pre-schoolers, infants and toddlers have access to programs that give them the education and social skills needed to start school ready to learn. At the same time their parents have the ability to go to work knowing their children are in a safe and nurturing environment. Unfortunately the child care system has been ravaged by budget cuts and the City's plan to improve child care quality is at risk of failing under the weight of continued disinvestment.

Over the last several years, New York City has taken drastic actions (Figure 2.0) to reduce child care spending which has impacted both the quality of care and the number of seats available in subsidized child care programs.

Figure 2.0- Cuts to Child Care

- Elimination of child care for all kindergarten-aged children forcing DYCD to “age down” the OST system to provide slots for Kindergartners at the expense of slots for Elementary age children.
- Increasing, and in some cases tripling, child care co-pays for low-income working parents.
- Ending health insurance coverage for teachers, aides, cooks and other child care employees through the city’s Central Insurance Program.

In addition to these reductions, New York City has implemented Early Learn- a new contract for early childhood education providers. However, the program is not adequately funded. As mentioned in Figure 2.0, the City reduced spending by ending the Central Insurance Program for child care employees.

Officials from the Administration for Children’s Services and from the City Council have acknowledged that more funds are needed both to retain quality staff and to serve the many families who are unable to find care for their children.

After-School Programs

In 2006, New York City created the Out-of-School Time (OST) program as a way to meet the needs of working families and provide after-school programming to school age children. Despite being a signature initiative of the Bloomberg administration, OST funding has been slashed by funding cuts and has endured dramatic losses of capacity (Figure 2.1).

Figure 2.1- Cuts to After School Programs

- In addition to traditional “after-school” hours, after-school programs also operate when school is not in session, e.g. teacher training days. A PEG in FY2012 reduced funding for this type of programming, leaving working parents stranded.
- Funding for Beacon school-based community center programs was cut by \$4.4 million in FY2012

In the Mayor’s proposed budget for the current fiscal year, OST slots were cut in half and it was only through the \$51 million in temporary funding from the City Council that the system’s capacity was preserved. The Campaign for Children (C4C), an advocacy effort to preserve and strengthen New York City’s child care and after-school programs, surveyed parents in OST programs and asked what they would do if they lost after-school programs. The response was telling: 36% of parents would quit their jobs and 16% would leave their children home alone unsupervised every day after school.²

² Parent Voices. Campaign for Children. <http://www.campaignforchildrennyc.com/wp-content/uploads/2012/03/NYC-Parent-Voices.pdf> Accessed September 20th, 2012

Adult Literacy

In FY2011, the Mayor PEG'd DYCD's entire Adult Literacy portfolio of \$5.2 million. While the City Council restored \$3.5 million with one-year funding, it still resulted in a cut of \$1.7 million on top of over \$3 million in State and Federal reductions. As a result, literacy services including Adult Basic Education (ABE) and English for Speakers of Other Languages (ESOL) were cut for over 1,850 adults seeking to find or retain employment, obtain a high school equivalency diploma, better communicate with their children's teachers or simply become a part of the social and civic lives of their communities. At a time of high unemployment, especially among workers with limited English skills, these cuts have been particularly counterproductive to the City's economic recovery.

The following year, the Mayor PEG'd DYCD's entire Family Literacy portfolio of \$2.4 million. Since the City Council did not restore this funding, all DYCD family literacy programming was eliminated- ending classes for 487 families. Family literacy is a proven model that confers significant educational benefits to both the parent and child. In addition to the fact that a mother's reading skill level is the single greatest determinant of her children's future academic success³, research demonstrates that children in family literacy programs score higher on standardized reading tests⁴, suggesting that the PEG's long term costs will far outweigh nominal single fiscal-year budget savings.

Figure 2. 3- Cuts to Adult Literacy Programs

- A FY2011 PEG led to over 1,850 adults losing literacy services that could help them secure jobs, obtain their diplomas or pursue higher education and training opportunities.
- In FY2012 DYCD's Family Literacy programming was eliminated for 487 families. The City has not restored any of these classes.

Aging Services

New York City's Department for the Aging (DFTA) has one of the smallest budgets of any municipal agency, yet it is responsible for the health and well-being of 1.3 million older New Yorkers. The Department's scarce resources are primarily directed towards services and programs for individuals who have low incomes, those who are frail and/or homebound. Recently, there has been an emphasis on promoting health and wellness. Programs like senior centers, subsidized home care, meals on wheels, and senior employment programs combine to assist older adults to live independently in the community.

While the City Council has been a staunch supporter of DFTA programs through PEG restorations and re-funding of City Council initiatives, there have been mounting cuts to core services. Not only has DFTA itself had to downsize its operations in response to the successive PEG plans, programs like case management, home care and senior centers have been cut (Figure 2.4).

³ Sastray, Narayan and Pebley, Anne R., "Family and Neighborhood Sources of Socioeconomic Inequality in Children's Achievement," *Demography* 47 (August 2010): 777-800.

⁴ Family Literacy Facts. National Coalition for Literacy. <http://www.national-coalition-literacy.org/advocacy/FamilyLiteracyFactSheetfromNCFL.pdf> Accessed September 16th, 2012

Figure 2.4- Cuts to Aging Services

- Just under 30 Senior Centers were closed due to a PEG program
- The City's subsidized home care assistance program has been cut in half; leaving extensive waiting lists for the high demand after program.
- Capacity to serve frail homebound seniors in the case management programs has also dwindled. Whereas each case manager was responsible for 65 or fewer older adults, now each is responsible for upwards of 85-90. Cuts have resulted in the layoff of an estimated 100 social service workers.

Threshold for Budget Reductions and Moving Forward

For City agencies, a threshold is reached when budget cuts so drastically impact the agency that its ability to function effectively is compromised. With the exception of DFTA in the last two rounds of PEGs, all the human service agencies have been downsized since 2008. These agencies now face proposed reductions that could bring them to the threshold where the cuts will prevent them from achieving their core missions.

The problem with PEGs is not simply the cuts themselves. The problem we- the City of New York, its people, the communities and the organizations that support our communities- face is the weakening of the ability of communities to participate in the budget making process as laid out in the City Charter. The local representatives of communities, New York City Council Members, also see their role in creating a fair and sustainable budget undermined by mid-year actions. Mid-year cuts to core community services must end for the agencies that serve the City's most vulnerable residents: DFTA, DYCD, ACS, DOHMH and DHS.

We can and must do better for vulnerable New Yorkers and our communities.

APPENDIX A: An analysis of City Tax Levy funding totals and PEG Targets from FY09-Present

The City Budget is a moving target; projections in spending and revenues change from month to month, year to year. The table below details the targeted cut in spending for each of three City agencies (ACS, DYCD, and DFTA) based on the proposed PEG target percentage as established by the Office of Management and Budget as of October 2012. The *actual* cuts in spending vary largely due to negotiations between OMB and the agencies, then due to City Council advocacy and funding restorations.

Program to Eliminate the Gap Targets

	FY 2009 MID YEAR CUT ⁵		Adopted FY2010 ⁶		FY 2010 MID YEAR CUT ⁷		Adopted FY2011 ⁸		FY 2011 MID YEAR CUT ⁹		Adopted FY2012 ¹⁰		FY 2012 MID YEAR CUT ¹¹		Adopted FY2013 ¹²		FY2013 MID YEAR CUT ¹³		Adopted FY2014	
	Total CTL in millions	2.5%	Total CTL in millions	5.0%	Total CTL in millions	4.0%	Total CTL in millions	7.2%	Total CTL in millions	5.4%	Total CTL in millions	8.0%	Total CTL in millions	2.0%	Total CTL in millions	6.0%	Total CTL in millions	5.4%	Total CTL in millions	8.0%
ACS	\$796.9	\$19.9 m	\$750.5	\$37.5 m	\$726.3	\$29 m	\$682.5	\$49.1 m	\$659.8	\$35.6 m	\$710.2	\$56.8 m	\$848.2	\$17 m	\$848.5	\$50.9 m	\$880.2	\$47.5 m	\$828.6 m	\$66.2 m
DYCD	\$249.6	\$6.24 m	\$173.5	\$8.67 m	\$229	\$9.16 m	\$231.6	\$16.67 m	\$220.1	\$11.9 m	\$223.5	\$17.9 m	\$193.7	\$3.9 m	\$212.1	\$17m	\$249.6	\$13.8 m	\$158.8 m	\$12.7 m
DFTA	\$157.9	\$3.95 m	\$150.6	\$7.53 m	\$167.6	\$6.7 m	\$145.9	\$10.5 m	\$139.7	\$7.54 m	\$142.5	\$11.4 m	\$134.9	\$2.7 m	\$136.6	\$8.2 m	145.3	\$7.8 m	\$116.3 m	\$9.3 m

⁵ Financial Plan Expense, Fiscal Year 2009 found: <http://www.nyc.gov/html/omb/downloads/pdf/adoptfpfy08to12.pdf>

⁶ Financial Plan Expense, as of Nov. 5, 2008: http://www.nyc.gov/html/omb/downloads/pdf/nov08_fp.pdf

⁷ Financial Plan Expense, as of Nov. 2009: http://www.nyc.gov/html/omb/downloads/pdf/nov09_fp.pdf

⁸ Financial Plan February 2011: http://www.nyc.gov/html/omb/downloads/pdf/tech2_11.pdf

⁹ Financial Plan Expense, FY11 as of Nov. 18: http://www.nyc.gov/html/omb/downloads/pdf/nov10_fp.pdf

¹⁰ Financial Plan Expense, FY12 as of Feb. 17, 2011: http://www.nyc.gov/html/omb/downloads/pdf/feb11_fp.pdf

¹¹ Financial Plan Expense, FY12 as of Nov. 18: http://www.nyc.gov/html/omb/downloads/pdf/nov11_fp.pdf

¹² Financial Plan Expense, FY13 as of Feb. 2012: http://www.nyc.gov/html/omb/downloads/pdf/feb12_fp.pdf

¹³ Financial Plan Expense, FY13 as of June 29, 2012: http://www.nyc.gov/html/omb/downloads/pdf/adopt12_fp.pdf

APPENDIX B: Percentage of City Tax Levy by City Agency (FY2011)

When compared to other agencies, human services agencies like DFTA and DYCD are funded with fewer dollars. The chart below details the percentage of CTL per agency in FY2011 budget. The City has discretion over how to spend these funds.

